

## **Workplan for assessing the adequacy of outpatient dialysis payments**

**ISSUE:** What are the major issues for MedPAC's analysis of the outpatient dialysis payment system in the coming year?

**KEY POINTS:** For the March 2003 report, MedPAC will assess the adequacy of current aggregate outpatient dialysis payments and recommend an update to the outpatient dialysis payment (composite rate) for calendar year 2004. We will estimate current Medicare payments and costs by considering both dialysis services and separately billable medications because both are important sources of payments and costs for dialysis providers. We will look at several indicators, including growth in the volume of services furnished, growth in the capacity of providers to furnish dialysis, and changes in the financial health of dialysis providers, to determine whether current payments are adequate relative to efficient providers' costs.

For the June 2003 report, staff propose to conduct an analysis that will address concerns raised by Commissioners and others about whether the recent decline in aggregate dialysis payments relative to providers' costs has affected the quality of care. Key research questions that will be addressed in this analysis are:

- Has the decline in dialysis payments relative to providers' costs between 1999 to 2001 affected beneficiaries access to high-quality care?
- To what extent do providers' per unit costs affect the quality of care furnished to dialysis patients?

We will use data from several sources, including providers' cost reports and Part A and Part B claims data from 1999 through 2001. Providers' costs will be measured in two ways: 1) composite rate services only, and 2) composite rate services and separately billable drugs. Processes and outcomes of care that will be used to assess the quality of care include: adequacy of dialysis and anemia management, risk of hospitalization, and rates of referral for kidney transplantation.

**ACTION:** Commissioners should comment on staff's approach for assessing the adequacy of outpatient dialysis payments and updating the composite rate payment for 2004. In addition, Commissioners should comment on the research questions and scope of the analysis of the effect of the adequacy of payments and providers' costs on the quality of dialysis care.

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